Compliance Programs – Metrics Consideration

Session Objectives

1. Outline variables impacting development of appropriate metrics for measuring compliance program effectiveness;

2. List common criteria for measuring ROI (return on investment) through appropriate metrics;

3. Collaborate with peers to develop at least one program metric and related tool(s) to measure achievement.
Definitions

Effectiveness

- “producing a decided, decisive, or desired effect . . . capable of producing a result.”
- “the extent to which the outcomes of an activity achieve its stated objectives.”

Metrics

- Measurements that depict an organization’s completion of a specific goal or objective that may be one element of a larger outcome, e.g., implementation of a policy.

Compliance Program Maturity Determination: Tool in Determining Applicable Risks

Mature
- Technical and business tools are used to enhance competitive advantage
- Maximizes budgeted resources because tasks are better planned and coordinated
- Maximum flexibility: “Anticipatory”
- Participates with government regulators setting standards and policies

Evolving
- “Planning” mentality
- Adopting more open approach with government regulators
- Flexible enough to withstand and learn from regulatory situations
- More integrated with other operational units

Emerging
- “Put out fires” mentality
- Minimum level of compliance
- Inflexible

- No corporate-wide compliance process and systems
Variables Impacting Development of Appropriate Metrics

- Access to data which can be objective and measurable
  - Integrity of data
  - Ability to do data forensics
- Organization’s culture
  - Appetite and tolerance for risk
- Objective, measurable metrics – a 3rd party can identify what is being measured
- Program’s maturity
  - Metrics evolve with program maturity
    - If still in reactive, design and implementation phases, focus will be on infrastructure and process related to that work
- Other?

Core Elements in Building an Effective Compliance Program

- Structure
- Process
- Outcomes
  - Program structure designed to meet the intent of the FSG’s 7 elements
  - Risk assessments identify risks; Enforcement actions occur
  - Third party relationships are appropriate; Quality indicators improve
Development of Process Metrics

- Consider variables
  - Challenges
  - Opportunities
  - Understand limitations

- “Design” measurements/Infrastructure

- Structural focus of metrics (vs. Substantive due to early nature of program processes)

Scenario

Compliance program was established in the past year. Develop metrics for this program.
Developing Outcome Indicators

- Program evolution has moved forward in maturity levels and beyond implementation.

- Risk tolerance is at acceptable level in organization to move beyond “crisis” and reaction...root cause trending and focus on resolution without repeated incidences

Developing Outcome Indicators

- **Outcome Indicators**
  
  1. Determining Appropriate Outcomes and Related Thresholds
      a. Identify and prioritize compliance risks based upon mission, risk exposure and resources to mitigate
      b. Differentiate between mandatory and voluntary compliance-related risks
         - Licensing/Certification
         - Medicare Conditions of Participation
         - Reputation
         - Financial
         - Add Value?? ROI measurements
  
  - **Capability for Data Analytics will be critical to success of indicator measurement**
Process of Risk Identification

Outcome Metrics can be developed for this process

Next Steps

- Review Identified Compliance Risks
- Determine Outcome Indicators (example)
  - Discrimination/EEO Issue:
    - Increased Sexual Harassment/Discrimination Claims
    - Non-compliance to mandatory education
    - Lack of enforcement
    - High cost of legal services and/or payouts
- Assign weight to outcomes measures
- Recalculate risk ranking
- Calculate “risk” for internal risk profile
Group Exercise – 15 minutes

1. Divide into groups
2. Document at least 3-5 compliance risk areas in your assigned FSG element which can provide a basis for a compliance program metric.
3. Develop the corresponding process and outcome indicators that would be measured to determine the effectiveness of your program
4. List at least 3 challenges and potential solutions to operationalizing your effectiveness review

Group Exercise - Measures

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<th>FSG Element</th>
<th>Desired Outcome for ROI</th>
<th>Metric</th>
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### Group Exercise - 3 Challenges

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<th>Challenge to Development</th>
<th>Recommended Solutions</th>
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### Group Presentations

10 minutes each
Evaluate your organization’s Risk Intelligence
Has “compliance outcomes” made any difference?

1. How capable is your company today to manage its risk profile?
2. How capable does it need to be?
3. How can it get to its desired state? By when?

A framework for evaluating companies compared to leading practices of managing risks

Risk Management Capability

- Tribal & Heroic
- Specialist Silos
- Top Down
- Systemic Risk Management

**Risk Intelligent**
- Embedded in strategic planning, capital allocation, product development, etc.
- Early-warning risk indicators
- Linkage to performance measurement/ incentives
- Risk modeling/scenarios
- Industry benchmarking

Summary

- Metrics should be developed according to the organization’s maturity in compliance program and activities.

- Metrics should be reviewed regularly to assure applicability.

- Metrics help to demonstrate the “risk tolerance” of an organization.

- Metrics help to demonstrate effectiveness in process (i.e.: structural/design changes) and outcomes (i.e. behavioral changes).

- Overall, a quantifiable, objective measurement will assist in demonstrating the “return on investment” of a compliance program.
QUESTIONS

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